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Proposed programme budget for the biennium 2008-2009

Development Account

Seventh report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the fifth progress report on the implementation of projects financed from the Development Account (A/62/123) and an advance version of the report of the Secretary-General on the Development Account (A/62/466). During its consideration of the reports, the Committee met with representatives of the Secretary-General, who provided additional information.

Implementation of projects: fifth progress report

2. The fifth progress report of the Secretary-General was submitted pursuant to General Assembly resolution 56/237, in which the Assembly reiterated its decision to keep the implementation of the Development Account under review.

3. Since its inception in 1997, 90 projects in five tranches in all regions, with a total budget of $65 million, have been approved under the Development Account, each tranche with a different theme. Projects approved for the first three tranches, from 1998 to 2003, have been completed and closed. As at 30 April 2007, the implementation rate was 64.3 per cent for the fourth tranche (2004-2005). For the fifth tranche (2006-2007), the implementation rate was 15.3 per cent, which is in line with the experience in the first year of operation for projects under the earlier tranches (see A/62/123, paras. 6, 11 and 12).

4. The Advisory Committee notes that improvements have been made in the areas of project design, through the application of logical frameworks used in results-based budgeting, and project monitoring, through the use of an enhanced online monitoring system. In line with previous recommendations of the Committee (see A/58/7/Add.5), lessons learned in the implementation of projects in the earlier tranches have been applied to the programming of new projects (see A/62/123, paras. 28-35). Starting with the fifth tranche, an external final evaluation of all completed projects will be carried out (see A/62/466, para. 24). Upon enquiry, the

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Committee was informed that approximately 2 per cent of the budget of a project would be allocated to evaluation at the project level.

Comprehensive report

5. The comprehensive report on the Development Account (A/62/466) was submitted pursuant to paragraphs 4, 6 and 7 of section IV of General Assembly resolution 61/252, which called for: (a) a review of the modalities and rationale for the funding of the Development Account; (b) a definition of procedures to identify efficiency or other gains for transfer to the Account; (c) recommendations on identifying a further $2.5 million for the Account; and (d) an assessment of the impact of the Account in terms of its aims and purposes.

6. The first part of the report reviews the impact of the Development Account. The report indicates that since the projects are relatively small, with an average cost of $650,000, and are of less than four years' duration, it is difficult to assess their impact, as this can often be determined only long after an activity has been completed. Many implementing entities, unlike the major United Nations funds and programmes, do not have a continuing presence in the targeted countries. As a result, there has been little alternative other than to focus measurement essentially on outputs and expected accomplishments. Paragraphs 11 to 13 of the report indicate that most of the criteria for the governance of the Development Account relate to the characteristics of the projects rather than to their intended developmental impact. The statement of objectives for the Development Account relates more to how the Account is expected to operate rather than to what it is expected to achieve. Findings of a review on the five major aims and purposes of the Account are presented in paragraphs 32 to 51 of the report.

7. The report does not draw conclusions on the long-term developmental impact of the Account. The premise is that short-term results will lead to long-term impact, even if current measurement technology does not make direct attribution possible. The report concludes that the Development Account is largely achieving its aims and purposes as defined by the General Assembly and is producing demonstrable and beneficial results (see A/62/466, paras. 5, 54 and 55).

8. Upon enquiry, the Advisory Committee was informed that Development Account projects were often implemented cooperatively by more than one organization and were often regional or subregional in scope, while projects under the regular programme of technical cooperation were usually implemented by one organization in one country.

9. The second part of the report contains background on the establishment of and the modalities and rationale for funding the Development Account (A/62/466, paras. 58-67). The Advisory Committee recalls that in 1997, when proposing to create a "dividend for development" from savings in administrative and other overhead costs, the Secretary-General maintained that it would be possible to deliver an efficiency dividend of some $200 million by 1 January 2002 (see A/51/950, paras. 57 and 58). The Committee pointed out then that the target appeared to be overly ambitious (see A/52/894, para. 7).

10. In its resolutions 60/246 and 61/252, the General Assembly requested the Secretary-General to make recommendations on how additional resources could be

added to the Account, in the amount of $5 million and $2.5 million respectively. In 2006, the Secretary-General reported to the Assembly that no efficiency savings had been identified as a part of the unencumbered balance of the approved budget appropriation to be transferred to the Development Account. That was attributed to the difficulty of identifying such savings in the absence of dependable methodologies, such as a cost-accounting system. Even if such a system were in place, the tendency of the programme managers would be to retain savings to meet additional mandates and workloads rather than to surrender them for transfer to the Development Account (A/61/282, paras. 16 and 18). Therefore, the Secretary-General was not in a position to make recommendations on how additional resources could be identified. In his current report, the Secretary-General states that with the current information technology systems, it is not possible to identify efficiency or other gains for transfer to the Development Account (A/62/466, para. 79).

11. In this context, at its sixtieth session, the General Assembly, as a one-time exercise, decided that the Development Account should be recosted for the biennium 2006-2007, which led to an increase of $889,100, for a total appropriation of $13,065,000 for 2004-2005. Again, as an immediate exceptional measure to address the non-transfer of resources to the Account since its inception, the Assembly, in its resolution 61/252, also decided to appropriate $2.5 million for the Account in 2006-2007.

12. In view of the absence of a system to identify and record efficiency gains, the Secretary-General, in paragraph 78 of his report, proposes three options: (a) efficiency gains or savings, identified by the Office of Internal Oversight Services through collaboration with the affected departments, that may be transferred to the Development Account; (b) better identification of tangible and sustainable resources relating to efficiencies in the context of results-based management, combined with cost-accounting principles and the implementation of an enterprise resource planning system; and (c) the realignment of programme priorities by the General Assembly within the overall programme budget level.

13. **The Advisory Committee notes that calls by the General Assembly for the Secretary-General to identify additional resources for the Development Account have not met with success. The Committee is of the view that the funding mechanism of the Account, as currently designed, has not proven to be successful and, therefore, the base is unlikely to grow. Furthermore, in the opinion of the Committee, the three options proposed in the report of the Secretary-General do not represent realistic or reliable solutions to the fundamental problem of the funding mechanism of the Development Account.**

14. **Further to its resolution 56/237, the General Assembly may wish to review the Development Account in all its aspects.**